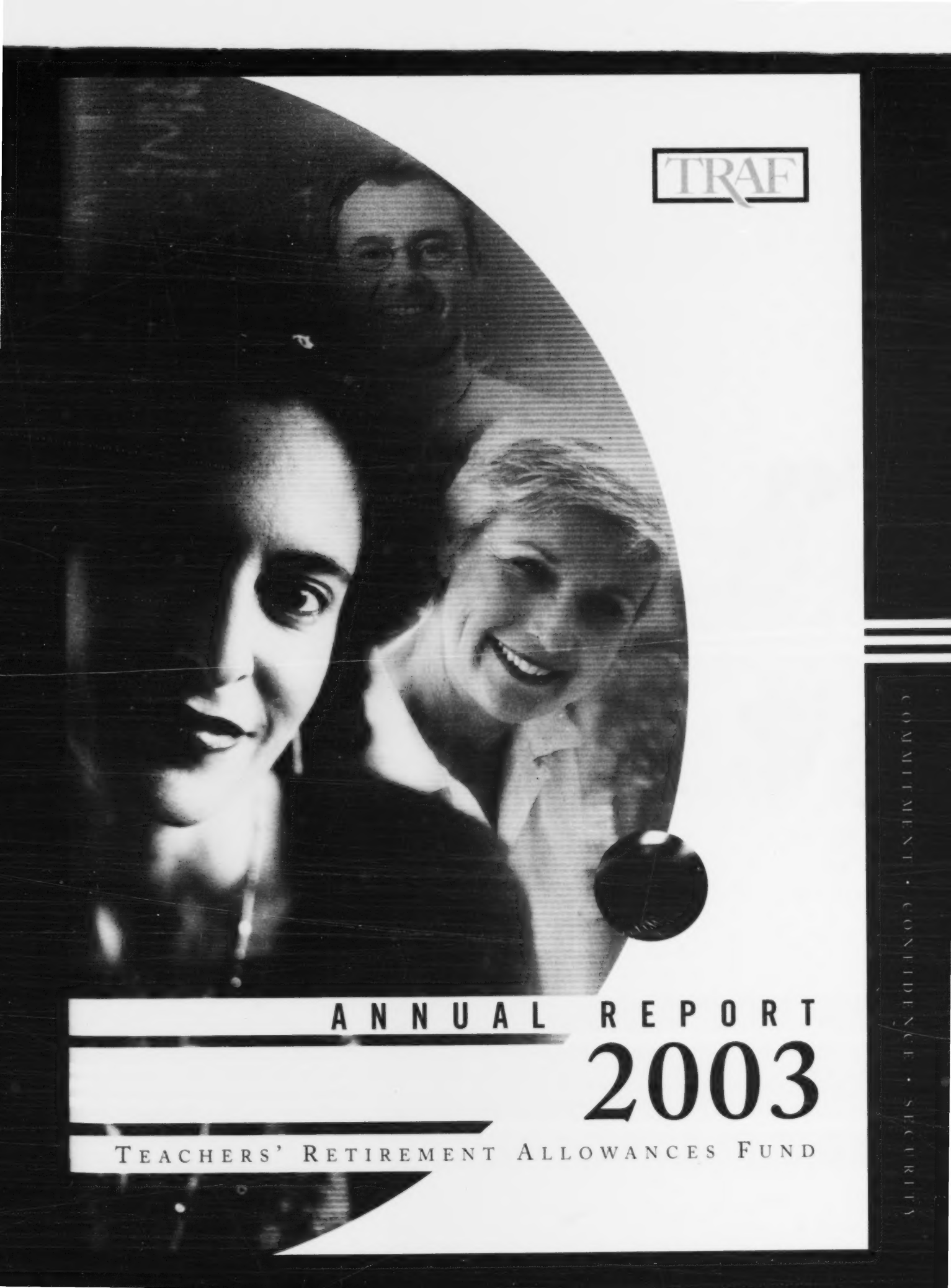


TRAF

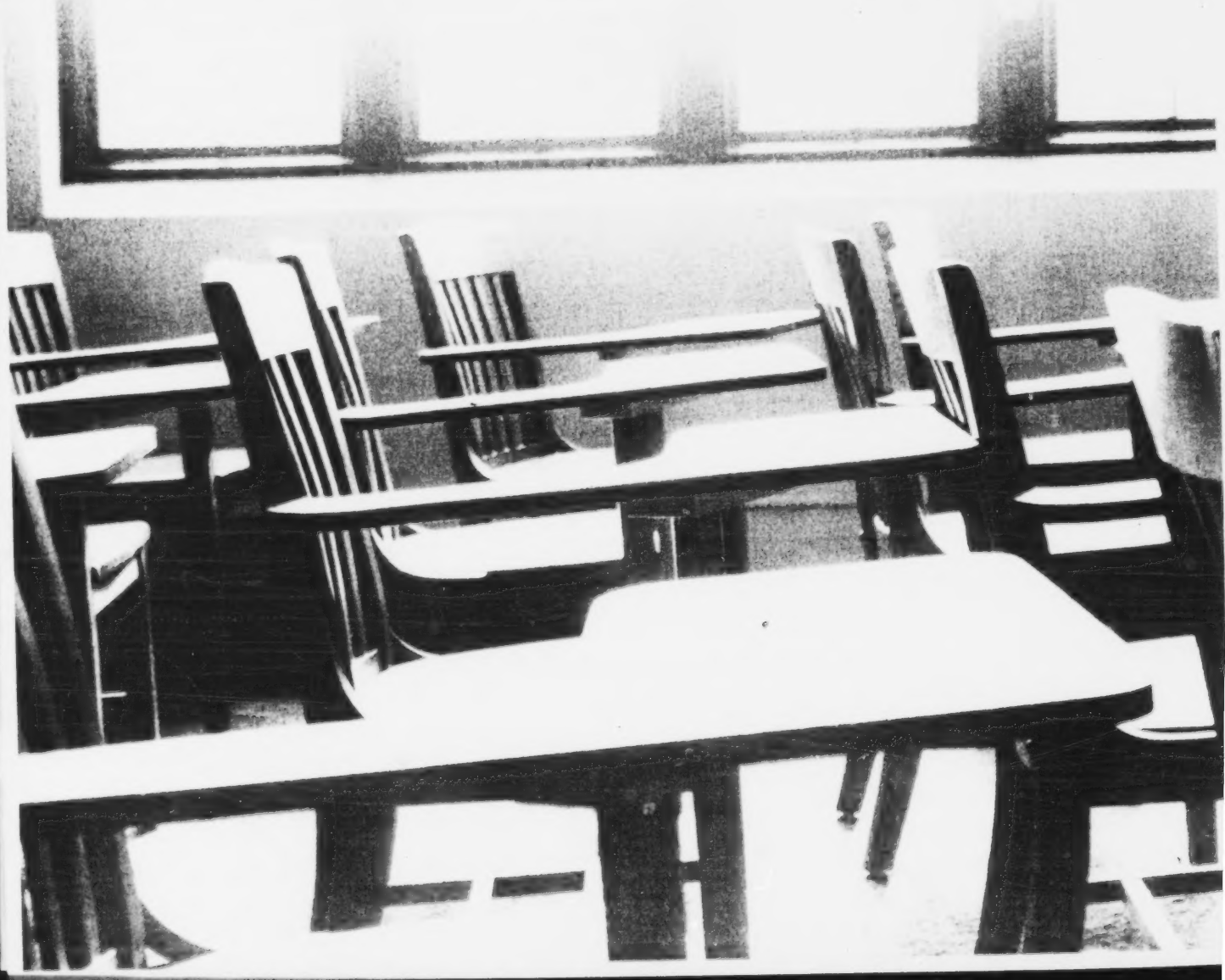
ANNUAL REPORT 2003

TEACHERS' RETIREMENT ALLOWANCES FUND

COMMITMENT · CONFIDENCE · SECURITY

MISSION

WE COMMIT OURSELVES TO ADMINISTER THE TEACHERS' PENSION PLAN IN A RESPONSIBLE AND CARING MANNER TO ENSURE A SECURE PENSION FUND THAT WILL PROVIDE OUR MEMBERS THE BENEFITS THEY HAVE BEEN PROMISED AND THE INFORMATION NEEDED TO MAKE EDUCATED RETIREMENT DECISIONS.



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ANNUAL REPORT 2003

PROFILE

THE MANITOBA GOVERNMENT CREATED THE TEACHERS' RETIREMENT ALLOWANCES FUND (TRAF) AS A RESULT OF A LONG-FOUGHT CAMPAIGN HEADED BY TEACHERS TO HAVE THEIR OWN PENSION PLAN. NOW, WITH 9,048 RETIREES AND OVER 14,650 ACTIVE MEMBERS IN OUR PLAN, RETIREMENT SECURITY IS AS VITAL AS EVER.

THE BOARD OF DIRECTORS

The TRAF Board administers The Teachers' Pensions Act and acts as trustee of the Fund. The Board employs the CEO and staff to fulfill its responsibilities under the Act.

The Board of Directors is made up of representatives from The Manitoba Teachers' Society, the Manitoba Association of School Trustees and the general public. Its members are appointed by the Lieutenant Governor in Council. At the end of their two-year terms they are either reappointed or a successor is found.

The role of the Board is to administer the Act and to ensure that beneficiaries of the plan are treated appropriately. The Board strives to improve the operations and to administer its responsibilities in the most efficient and effective way possible.

BOARD MEMBERS
(Back Row) PAT ISAAK, Vice Chair, RAMONA GALLOS, HENRY SHYKA, BRUCE CHEGUS, GLEN ANDERSON
(Front Row) LEA BATURIN, ALFRED BLACK, Chair

INVESTMENT COMMITTEE

The Investment Committee directs the Fund's investment activities and is comprised of the Chair of the Board, a member of the Board representing teachers and the Deputy Minister of Finance. Over the past decade, a second teacher member has been named as an observer of the Investment Committee to provide greater teacher involvement in investment management discussions. Since 1999, the entire Board has been invited to attend meetings of the Investment Committee and participate in discussion, though decision making is the responsibility of the statutory members of the committee.

THE FUND

TRAF manages the employee portion of a defined benefit pension plan for Manitoba's public school teachers. The employer portion of teachers' pensions is not funded; it is paid by the Province of Manitoba during a member's retirement.

On December 31, 2003, the Fund had assets of $2,136 million invested in a diversified portfolio of equities and fixed income securities.

TRAF has 14,667 active teacher members, 9,048 retired members and 7,143 former teachers with benefit entitlements.

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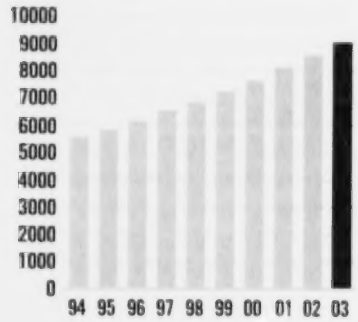
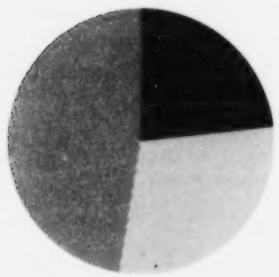
NUMBER OF PENSIONS IN PAY

December 31, 2003



MEMBERSHIP PROFILE

December 31, 2003



Former Teachers	7,143
Retired Teachers	9,048
Active Teachers	14,667

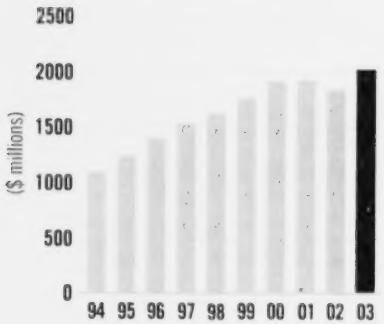
ASSET MIX

December 31, 2003

Fixed Income Investments	37.3%
Equity Investments	62.7%

NET ASSETS AVAILABLE FOR BENEFITS

December 31, 2003

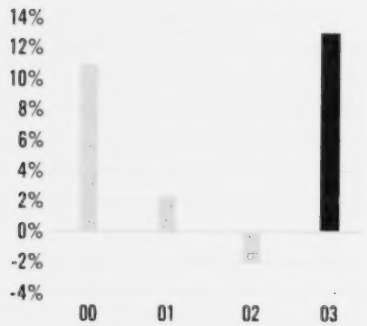


INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS

($ millions)		2003	2002
Net assets available for benefits, start of year		$ 1,834	$ 1,918
Add:	Teacher contributions	51	53
	Province's share of pensions	104	89
	Investment return	229	(44)
Deduct:	Pension payments	(183)	(169)
	Other payments	(22)	(10)
	Administration	(3)	(3)
Net assets available for benefits, end of year		$ 2,010	$ 1,834

INVESTMENT RETURN

December 31, 2003



The four-year average is 5.9%

INVESTMENT RETURN (%)

	2003	2002
Annual	13.0	-2.1
Benchmark return	14.2	-4.6
Four-year average	5.9	5.3
Four-year benchmark	3.7	3.5
Actuarial requirement	7.0	7.0

MESSAGE FROM THE CHAIR OF THE BOARD AND ACTING PRESIDENT & CEO

ALFRED BLACK,
Chair

DEWAR MCKINNON,
Acting President & CEO,
Vice President, Finance & Operations

WE WRITE THIS LETTER WITH A KEEN SENSE OF THE VALUE OF THE PENSION PROMISE. OUR MEMBERSHIP SPANS THOSE WHO ARE CURRENTLY RECEIVING PENSION BENEFITS; THOSE WHO ARE DECIDING IF RETIREMENT IS RIGHT FOR THEM; AND THOSE ENTERING THE PLAN AS NEW TEACHERS IN OUR PROVINCE – LOOKING FORWARD TO A FUTURE THAT INCLUDES THE SECURITY OF A PENSION. THAT SECURITY IS SOMETHING WE TAKE VERY SERIOUSLY.

INVESTMENTS

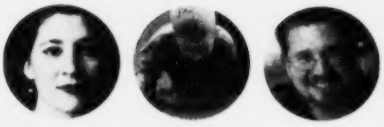
We are pleased to report that during 2003, we are again seeing positive outcomes from our investment strategy. While there is no guarantee that current trends in financial markets will continue, the current rate of return which exceeds our actuarial requirement, is beginning to make up for the low returns of the last two years.

To further improve the fund's investment performance, TRAF's Investment Committee and Board decided in 2002 to increase exposure to alternative asset classes. In 2003, we increased our real estate portfolio to nearly 10% and TRAF made commitments to a variety of private equity funds that will bring our exposure to that asset class to 5% within the next five years. To complement investment return patterns associated with private equity, TRAF decided to pursue opportunities in private debt and infrastructure investments.

FINANCIAL POSITION

In September 2004, TRAF will receive the results of the actuarial valuation showing the Fund's financial position as at January 1, 2004. We expect the report will show a deficit in Account A (the teachers' account) due to poor investment returns in 2001 and 2002, as well as the impact of teacher contribution rates being lower than required to fully fund the benefits promised. Although a pension plan is a long term commitment, a valuation is done every three years so that mid-course corrections can be made if required. The investment returns achieved in 2003 will help to reduce, but not eliminate, the deficit.

The Province pays its annual pension costs on a pay as you go basis. Although the Province's liability for future pension payments is unfunded, it has established a separate trust fund, to which it is making special



deposits. The Province has committed to making annual payments into this trust fund, with the goal that it will hold sufficient assets to offset the Province's liability for teachers' pensions in approximately 30 years.

RETIREMENTS

During 2003, we again experienced fewer retirements than anticipated. Approximately 1,700 members who were eligible to receive pensions decided to continue teaching during 2003. Normally half that number would have opted to receive a pension. TRAF is preparing for a major increase in service demands as we expect that group to retire within the next few years.

We believe that the inability of the Pension Adjustment Account to pay reasonable cost of living adjustments is affecting the retirement decision for some of our members. In July 2003, the amount paid was less than one-half of the CPI (consumer price index – Canada) increase for 2002. It is unlikely that the Account will be able to fund adjustments in the future unless it is restructured. Although the resolution of this matter does not lie within the hands of TRAF, we know that the Manitoba Teachers' Society and the Province are discussing the matter.

BOARD CHANGES

Late in 2002, MAST representative Doug McGiffin, indicated that he would be leaving the Board. Doug was appreciated for his practicality and thoroughness. His replacement, Ramona Gallos, was officially appointed as a MAST representative in the fall of 2003.

Bob Malazdrewich, who had been with the TRAF Board since 2000, saw his term come to an end in 2003. Bob was well-respected for his in-depth pension knowledge and his experience in labour relations.

Lea Baturin was appointed as the new public representative to the Board.

We welcome both Ramona and Lea to the TRAF Board and expect that their knowledge and experience will blend well with that of the other Board members.

ORGANIZATION

The staff at TRAF continues to work with an obvious passion for meeting the needs of our members. The workload is rapidly increasing, and the inquiries are becoming more complex as we go forward. We've put initiatives in place to provide members with more information about their pensions, and have discovered that it often leads to more sophisticated and sometimes complex inquiries. This is encouraging as it results in a higher overall level of understanding.

In closing we would like to recognize the significant contribution Tom Ulrich made to this pension plan during his five years as President & CEO of TRAF. We wish him well in his future endeavours.

As we look ahead to 2004, we are excited about the possibilities that exist for TRAF. Know that your needs are being met by staff who sincerely care about each member.

Alfred Black, Chair.

Dewar McKinnon, Acting President & CEO, Vice President, Finance & Operations

INVESTMENT PERFORMANCE

INVESTMENT OBJECTIVES

The investment objectives for the Fund's performance over the long-term are:

- To exceed the aggregate returns achieved by the Fund's indexed-based benchmark asset mix portfolio by 0.5%;
- To exceed the median fund performance results achieved in a universe of comparable balanced funds as calculated by an independent provider of performance measurement services;
- To achieve a 4% rate of return above inflation.

INVESTMENT PERFORMANCE FOR 2003

2003 brought a marked improvement in investment markets. TRAF achieved a 13.0% return in 2003 compared to a -2.1% return in 2002 and a 2.3% return in 2001. Despite a very positive absolute return, TRAF did not meet its benchmark and ranked below the median return reported by Towers Perrin, TRAF's performance measurement service. Performance of the Canadian public and private equity portfolios brought the return lower than the benchmark. TRAF's Canadian public equity portfolio underperformed the S&P/TSX because TRAF was underweighted in tech stocks which were up 67% on the year. In 2003, riskier securities, such as tech stocks, performed better. In 2002, the TRAF Board and Investment Committee made a decision to increase the Fund's exposure to alternative asset classes including private equity. In 2003, several new private equity investments were initiated. The life cycle of these investments includes negative returns initially with the prospect of excellent returns in later years.

FIXED INCOME INVESTMENTS

Bonds and Debentures

Bonds and debentures comprise 80% of TRAF's fixed income investments. Overall, bonds yielded a 6.6% return on the year, slightly below the benchmark and median returns. Over four years the bond portfolio has returned 9.1% which is 0.7% higher than the SC Universe Bond Index benchmark return for the same period.

Mortgages

TRAF has $152 million invested in mortgages as compared to $111 million in 2002. Mortgages returned 7.7% in 2003, beating both the SC Universe Total Mortgage Index return and the Towers Perrin median return. The mortgage portfolio is diversified amongst industrial, office, residential and retail properties throughout the western provinces and Ontario.

Money Market Securities

Money market securities formed only 0.1% of the total investment portfolio at the end of 2003. The 3.2% return was slightly above the benchmark return.

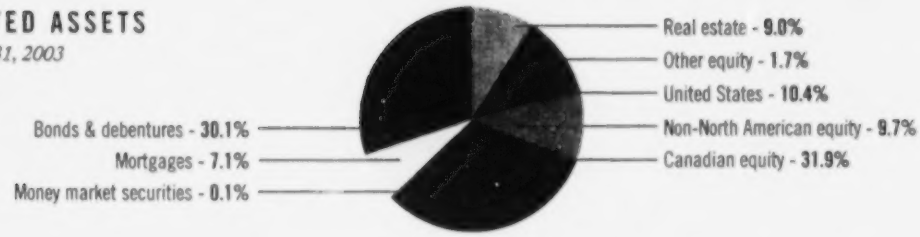
EQUITIES

Canadian

Canadian stocks enjoyed a rebound in 2003. The TSX/S&P 10% Capped Index, to which the TRAF return is compared, rose 26.7% on the year. TRAF's publicly traded equity, by comparison, increased by 23.6%. The shortfall can be attributed to TRAF being underweight in the technology sector. The technology sector was the TSX's best performer in 2003.

INVESTED ASSETS

December 31, 2003


Real estate - 9.0%
Other equity - 1.7%
United States - 10.4%
Non-North American equity - 9.7%
Canadian equity - 31.9%
Bonds & debentures - 30.1%
Mortgages - 7.1%
Money market securities - 0.1%

Non-North American

Despite the strength of the Canadian dollar relative to several global currencies including the US dollar, this asset class achieved a 15.5% return in 2003. This compares favorably to the MSCI EAFE index return of 13.4%. Particularly strong returns were achieved in the fourth quarter of the year with emerging markets being the best performing asset class on the year.

United States

In the United States, the S&P 500 index appreciated 28% on the year. However, the rise in the Canadian dollar reduced that return to 5.3% in Canadian dollars. TRAF's US portfolio of $221 million outperformed the S&P by 3.4%, with an 8.7% return.

Other equity

As noted in our 2002 report, TRAF's Investment Committee and Board agreed to increase the Fund's exposure to alternative asset classes such as private equity. Private equity provides the opportunity to achieve enhanced returns over the longer term. Initially however, negative returns are expected as the investments are funded. In 2003, TRAF experienced a -16.2% return on its $37 million private equity portfolio.

Real Estate

In 2003, TRAF's real estate portfolio increased from $157 million at the start of the year to $193 million at year end. This is in part due to increases in appraisal values, but is primarily the result of an increased commitment to real estate as an alternative asset class. This asset class continues to be a consistent performer with a one-year return of 11.9% and 11.0% over four years. These returns exceed the real estate benchmark in both cases.

INVESTMENTS

	Fair Value Dec. 31, 2003 ($ millions)	2003 Return (%)	Benchmark Return (%)	Towers Perrin Median Return (%)
FIXED INCOME				
Bonds and debentures	$ 643	6.6	6.7	7.0
Mortgages	152	7.7	6.2	6.2
Money market securities	3	3.2	2.9	n/a
EQUITIES				
Canadian	680	23.6	26.7	26.8
Non-North American	207	15.5	13.4	11.1
United States	221	8.7	5.3	4.9
Other	37	-16.2	33.1	26.8
Real estate	193	11.9	8.4	8.5
TOTAL	$ 2,136	13.0	14.2	13.7

TRAF MANAGEMENT TEAM (from left to right):
KRISTI BAILY, Associate Vice President, Communications
LES BROWN, Vice President, Information Services
BRENDA VENUTO, Vice President, Benefits Administration and Member Services
DEWAR MCKINNON, Acting President & CEO, Vice President, Finance & Operations

COST OF LIVING ADJUSTMENTS

In July 2003, TRAF paid a cost of living increase of 1.68% to retired members. This increase fell short of the 3.88% increase in the Consumer Price Index (CPI) for Canada, December 2002 over December 2001. As described elsewhere in this report, the amount TRAF can pay is limited by the amount available in the special account set up for this purpose. The Pension Adjustment Account (PAA), its structure and function, was set up in the Teachers Pensions Act in 1977. Many things have changed since then including early retirement, benefit enhancements, and increases in life expectancy, for example. However, the funding mechanism for the PAA has not changed. Due to insufficient funds in the PAA, we expect that the 2004 COLA will be well below the 2003 CPI increase of 2%. The PAA will be unable to pay reasonable cost of living adjustments in the future unless changes are legislated. This issue has been under discussion between The Manitoba Teachers' Society and the government for several years.

RECIPROCAL TRANSFER AGREEMENTS

In 2001, a reciprocal transfer agreement was finalized which saw inclusion of teacher pension plans in all provinces except for British Columbia and Newfoundland. British Columbia joined effective January 1, 2002. In 2003, we experienced a 146% increase in the number of transfers to other plans, and in particular to the BC Teachers' Pension Plan. Reciprocal transfers to the TRAF plan increased by 17%. In 2003, there were four transfers out of the TRAF plan for every transfer in.

A reciprocal transfer agreement has been negotiated between TRAF and the Manitoba Civil Service Superannuation Board which will allow eligible individuals to transfer service between the respective organizations.

DATA REVIEW

The Data Review project began in 2000 and involved auditing the historical salary, service and contribution data reported by the school divisions for all active members. By verifying the data, TRAF ensures that benefit information, including pension estimates and benefits statements, is more precise and ultimately that final pension benefits are paid appropriately. As of December 31, 2003, approximately 17,000 files have been reviewed including 1,200 deferred members' files.

ACTUARIAL VALUATIONS

Sub-section 45(4) of The Teachers' Pensions Act requires that an actuarial valuation be made at least once every three years. The most recent actuarial valuation was completed on January 1, 2001 by Aon Consulting Inc., the actuary for the Fund. The stated objectives were to determine:

a) actuarial estimates of the funding position (financial status) of the assets and liabilities under Accounts A & B on a going concern basis,

b) the solvency position of the assets and liabilities under Account A as of January 1, 2001, and

c) actuarial estimates of the funding adequacy of member contributions under Account A for new entrants to the Fund.

Account A represents the pre-funded teacher-financed portion of the Fund, and is responsible for the payment of roughly one-half of the basic pensions paid to retired teachers. Account B represents the unfunded government-financed portion of the Fund and is responsible for the payment of roughly one-half of the basic pensions plus cost of living adjustments paid to retired teachers. Account B is financed by the Province as benefit payments are made.

The January 1, 2001 valuation disclosed a surplus in Account A of $102.9 million. This compares to a surplus of $43.9 million disclosed at January 1, 1998. The surplus increase is the net effect of experience gains and changes in assumptions. The most significant experience gain was from investment earnings exceeding the 7.0% return assumed in the 1998 valuation. This gain was partially offset by a revision in the mortality assumption because experience suggests teachers are living longer than previously assumed.

For the first time this valuation included the Account B liabilities and assets. The total liabilities of Account B were determined to be $2,099.9 million as at January 1, 2001. For valuation purposes, Account B assets are deemed to be equal to the Account B liabilities, since the government has a legislated promise to pay its share of future pensions.

The Actuary also determined that there is no solvency deficiency in the Fund, and based on the assumptions used, a typical new entrant's contribution is not expected to fully fund the Account A 50% portion of the benefits that are to be funded by member contributions.

The next actuarial valuation will be performed as at January 1, 2004, with the results expected to be available in September 2004. Despite excellent investment returns in 2003, the Fund's investment performance was below the actuarial requirement during 2001 and 2002. We expect that the 2004 valuation will find Account A in a deficit position.

PENSION ADJUSTMENT ACCOUNT (PAA)

An actuarial valuation of the PAA is completed annually to determine what cost of living adjustment can be paid. Annual cost of living adjustments are the lesser of the prior year change (December over December) in the Consumer Price Index (CPI) for Canada; or the amount determined by the actuary that the PAA can support.

The valuation on December 31, 2002 showed a surplus of $16,134,161 prior to the granting of a cost of living increase for 2003. This enabled TRAF to grant a cost of living increase of 1.68% effective July 1, 2003, which was less than one-half of the 3.88% CPI (Canada) increase for 2002. An actuarial surplus of $57,161 remains in the account to support future cost of living increases or to offset adverse investment or mortality experience that may occur in the future.

The PAA will not be able to pay reasonable cost of living adjustments in the future unless the legislation surrounding the Account is changed.

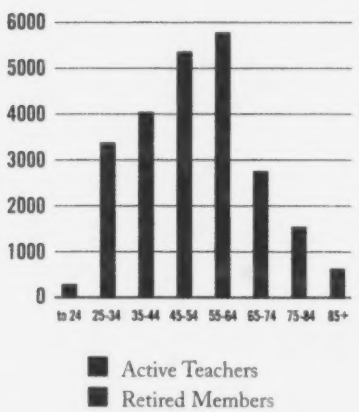
PENSIONS

As of December 31, 2003, pension payments were being made to 9,048 former teachers and their beneficiaries. This represents a net increase of 442 from the prior year. Following is a summary analysis of the number and types of pensions being paid:

PENSIONS IN PAY	2003	2002
Regular service pensions		
Male	3,688	3,483
Female	4,472	4,239
Survivors/beneficiaries of deceased retired members		
Male	47	45
Female	341	337
Pre-retirement death benefits	110	107
Other benefits including annuities	390	395
Total recipients	9,048	8,606

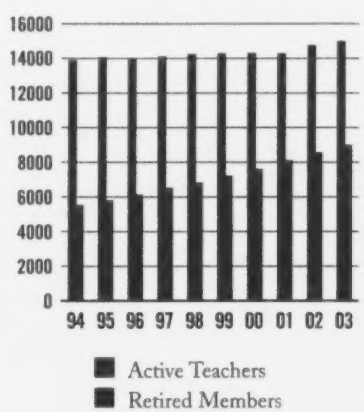
AGE DISTRIBUTION

December 31, 2003



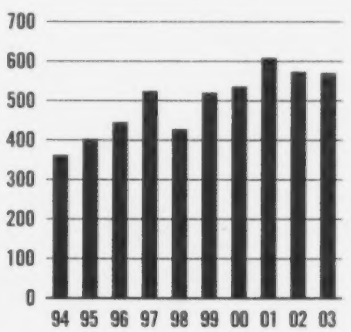
ACTIVE TEACHERS AND RETIRED MEMBERS

December 31, 2003



NUMBER OF NEW PENSIONS GRANTED

December 31, 2003



MEMBER SERVICES

WHETHER MANAGING THE ASSETS OF THE FUND; DIRECTING INVESTMENTS; CONDUCTING SEMINARS OR PERSONAL APPOINTMENTS, RESPONDING TO INFORMATION REQUESTS; DISTRIBUTING NEWSLETTERS AND THE ANNUAL REPORT; OR PROVIDING MONTHLY PENSION PAYMENTS; OUR MEMBERSHIP IS ALWAYS THE FOCUS OF OUR EFFORTS.

During 2003, we maintained service, salary and contribution records for active teachers, former teachers, and ensured that our retired members and their beneficiaries received their benefit entitlements.

Meeting service demands continues to be a priority as we see the leading edge of baby boomers approaching and entering into retirement. Although all projections pointed to 2002 as the peak year for retirements with continuing trends in following years, TRAF experienced a second consecutive year of lower than expected retirements in 2003. We believe this is a result of members deferring their decision to retire because of the loss experienced in personal investments. Although the number of actual retirements is less than expected, members continue to request pension estimates and other benefit information necessary to make decisions regarding their future retirement plans.

GENERAL INFORMATION REQUESTS	2003	2002
Estimate Calculations	6,057	6,254
Number of Appointments	1,222	1,221
Number of Seminars		
Winnipeg	22	20
Rural	12	15

NEW RETIREMENTS	2003		2002	
	Male	Female	Male	Female
Retirements (active only)	206	239	198	234
Average Age	57.19	57.02	57.49	56.92
Average Years of Pensionable Service	31.10	27.13	31.07	25.33
Average Monthly Pension	$2,468	$2,064	$2,438	$1,790

Teachers' Retirement Allowances Fund

Management's Responsibility for Financial Statements

The accompanying financial statements of the Teachers' Retirement Allowances Fund and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts, such as the market value of investments, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the Annual Report are consistent with the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal control systems and practices necessary to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The firm of Aon Consulting Inc. has been appointed the independent consulting actuary to the Fund. The role of the actuary is to complete an actuarial valuation of the Fund in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Fund's independent external auditor, the Auditor General of Manitoba, is responsible for auditing the transactions and financial statements of the Fund and for issuing their report thereon.

Dewar McKinnon, CGA
Vice President, Finance & Operations

Ross Hadaller, CMA
Chief Accountant

Winnipeg, Manitoba
February 13, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Teachers' Retirement Allowances Plan

We have audited the statement of net assets available for benefits of The Teachers' Retirement Allowances Fund as at December 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2003 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
February 13, 2004

Jon W. Singleton, CA•CISA
Auditor General

as at December 31, 2003

($ Thousands)		2002
Investments, *Note 3*	$ 2,135,822	$ 1,896,358
Investment income receivable	8,350	8,880
Receivable for settlement of outstanding trades	–	7,472
Contributions and other receivables, *Note 4*	16,001	11,373
Cash	1,580	1,946
Computer and office equipment	206	240
Prepaid expense	7	7
	2,161,966	1,926,276
Accrued liabilities	8,745	3,533
Payable for settlement of outstanding trades	1,019	–
Money purchase accounts, *Note 6*	584	446
Employer trust accounts, *Note 7*		
Manitoba Teachers' Society	4,681	4,359
Manitoba Association of School Trustees	247	231
Province of Manitoba – Unfunded Pension Liability Fund Trust Account, *Note 8*	134,727	81,434
Provision for Fund's share of employees' pension benefits, *Note 9*	2,131	1,964
	152,134	91,967
	$ 2,009,832	$ 1,834,309

On behalf of the Board

Chair

Board Member

for the year ended December 31, 2003

($ Thousands)	Account A			2002
	Basic Benefits	Pension Adjustments		Total
Contributions, *Note 10*	$ 148,382	$ 7,130	**$ 155,512**	$ 143,174
Net investment income, *Note 13*	56,536	8,742	**65,278**	80,690
Current period change in fair value of investments, *Note 14*	163,278	–	**163,278**	(124,767)
	368,196	15,872	**384,068**	99,097
Pensions paid	169,692	13,339	**183,031**	169,197
Refunds	5,576	–	**5,576**	6,097
Transfers under reciprocal agreements	16,909	–	**16,909**	4,300
General administration, *Note 17*	3,029	–	**3,029**	2,873
	195,206	13,339	**208,545**	182,467
	172,990	2,533	**175,523**	(83,370)
	1,703,365	130,944	**1,834,309**	1,917,679
	$ 1,876,355	$ 133,477	**$ 2,009,832**	$ 1,834,309

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2003

1. DESCRIPTION OF PLAN

The following description of The Teachers' Retirement Allowances Fund ("the Fund") plan is a summary only. For more complete information, reference should be made to The Teachers' Pensions Act ("the Act"), as amended.

(a) General

The Teachers' Retirement Allowances Fund Board ("the Board") was originally constituted under an Act passed at the 1925 session of the Legislature. The Board currently operates under the authority of The Teachers' Pensions Act. The Board is charged with responsibility for administering the Act and functions as trustee of a fund maintained to provide defined benefit pensions to public school teachers in Manitoba.

The Act provides for distinct and separate accounts in the Fund, known respectively as Account A and Account B. In Account A, the Fund records the net assets arising from teacher contributions and all payments of pensions, allowances and expenses. It also receives reimbursement for the Province of Manitoba's half of the pensions paid as a transfer from Account B. Account B records the receipt of the Province's payments for its share of pensions paid and certain other payments as described in the Act. Account B is reduced by transfers to Account A. The balance of Account B is reflected as receivable on the statement of net assets available for benefits *(Note 4)*.

The Fund maintains separate trust accounts for the Manitoba Teachers' Society (MTS) and the Manitoba Association of School Trustees (MAST). Qualifying employees of these organizations are considered to be teachers for purposes of participating in the Fund. Employer obligations for benefits, in respect of these individuals, are funded through these separate trust accounts.

The Fund holds the Unfunded Pension Liability Fund monies in trust on behalf of the Province of Manitoba. The balance of the trust account is shown as a liability on the statement of net assets available for benefits *(Note 8)*.

The Fund also keeps separate Money Purchase Accounts to hold other related funds on a trust basis.

(b) Funding

The Act requires all Manitoba public school teachers to contribute to the Fund on a basis related to their salary. Teachers contribute 5.7% on pensionable earnings up to the Canada Pension Plan's yearly maximum pensionable earnings (YMPE) and 7.3% on pensionable earnings in excess of the YMPE. In accordance with the Act, 83.5% of contributions are used to fund basic benefits and 16.5% of contributions are allocated to the Pension Adjustment Account for the purpose of indexing benefits.

In accordance with the Act, the Province of Manitoba contributes its share of pensions paid during the year and certain other statutory charges. The Province's liability for pension benefits, which is approximately $1.9 billion, is unfunded *(Note 12)*.

(c) Retirement pensions

An unreduced pension is available at age 60, or as early as age 55 where combined age and service equals 80. Any reduction in pension is offset by a bridging benefit. Members are eligible to retire at age 55 with 10 years of qualifying service, provided that two of the years are within a 10 year period ending after 1984. All members must commence pension benefits no later than December 31 of the year age 69 is attained.

(d) Withdrawal refunds

Subject to lock-in provisions, refunds are available when an active member ceases employment.

(e) Death benefits

(i) Active members

Upon the death of an active member, a lump sum is payable to the estate or beneficiary based on pre-1985 contributions and interest and the commuted value of the post-1984 deferred pension. A spouse may elect to convert the lump sum benefit to a monthly annuity. Where the service is non-vested, the benefit payable is the contributions and interest accumulated in 1985 and later.

(ii) Retired members

Upon the death of a retired member, pension benefits continue to be paid to a beneficiary where a survivor option has been selected. Where the contributions and interest accumulated at the pension effective date is greater than the pension paid out to the date of death, the excess is payable to the estate or beneficiary.

(f) Other provisions

(i) Buybacks

Purchase of past service and reinstatement of refunded service is allowed, pursuant to the terms and conditions contained in the Act.

(ii) Marriage break-up

Where a marriage has broken up in 1984 or later, the spouse is entitled to one-half the value of the pension earned during the period of marriage pursuant to the terms and conditions contained in the Act.

(iii) Teaching while receiving a pension

A member, who retires and returns to teach within 90 calendar days of retirement, is deemed not to have retired. The member must repay any pension benefits received and resume contributing to the Fund. A retired member can receive a pension while working, until the member reaches the 121st full day of service in one school year. When this happens, the member's pension is suspended and the member must resume contributing to the Fund.

(g) Cost of living adjustments

Pensions are adjusted annually by the lesser of the change in the Canada Consumer Price Index or the amount actuarially available in the Pension Adjustment Account to fund one-half of the cost of living adjustment.

(h) Income taxes

The Teachers' Retirement Allowances Fund is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes. The Fund's registration number is 0273698.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements of the Fund are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. The statements are prepared to assist teachers and others in reviewing the activities during the year.

The Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Investments

Investments are stated at fair value on a trade date basis. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate exchange, or as provided by the Fund's custodian from independent outside sources.

High yield debt, according to the characteristics of the specific debt instruments, is stated at market value based on bid prices, discounted cash flows or held at cost where no market value is available.

Mortgages are stated at market value based on the present value of future cash flows.

Money market securities are recorded at cost which approximates market.

Pooled equity funds are valued based on the quoted market price of the underlying investments.

Private investments such as private debt and other equity are valued by the external manager or are held at cost where no previous valuation has been prepared.

Real estate market values are based on the most recently available external management valuations or appraisals of the underlying properties or held at cost where no previous valuation has been prepared.

(c) Use of Estimates

In preparing these financial statements, management must make estimates and assumptions that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(d) Foreign currency translation

The market value of investments and cash balances denominated in foreign currencies are translated into Canadian dollars at the rates in effect at year end and the resulting change is included in the current period change in fair value of investments.

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Hedged foreign currency transactions are translated at rates of exchange established by the terms of the forward exchange contracts. The foreign exchange on revenue and expense transactions is included in investment income.

(e) Forward contracts

A forward is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. Forward contracts are valued at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date (Note 5(e)). Realized gains or losses on forward contracts are recognized with the current period change in fair value of investments.

(f) Provision for Fund's share of employees' pension benefits

Employees of the Fund are pensionable under The Civil Service Superannuation Act. The Fund accrues a liability for the employer share of the employees' pension benefits, including future cost of living adjustments, based on an actuarial report.

(g) Computer and office equipment

Computer and office equipment acquisitions are capitalized and amortized on a straight line basis over five years.

3. INVESTMENTS AT FAIR VALUE

($ Thousands)	2003	2002
Fixed Income		
Bonds and debentures	$ 642,598	$ 629,929
Mortgages	151,658	111,400
Money market securities	2,871	66,706
Equities		
Canadian	680,263	518,115
Non-North American	206,966	201,214
United States	220,994	194,535
Other	36,998	17,696
Real estate	193,474	156,763
	$ 2,135,822	$ 1,896,358

4. CONTRIBUTIONS AND OTHER RECEIVABLES

($ Thousands)	2003	2002
Account B	$ 13,183	$ 8,310
Teacher contributions	2,603	3,061
Other receivables	215	2
	$ 16,001	$ 11,373

5. RISK MANAGEMENT

The Fund follows a balanced fund asset mix strategy to earn the best possible investment return at an acceptable level of risk.

(a) Interest rate and market risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities.

The value of the Fund's investments is affected by changes in nominal short-term interest rates and their impact on equity markets. Assuming a parallel change in long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the value of fixed income investments by 7%.

Pension liabilities are exposed to the long-term expectation of real rate of return on the investments as well as expectations of inflation and salary escalation. Holding all other actuarial assumptions constant, a 1% decrease in the assumed long-term rate of return would result in a 14% increase in the pension liabilities for basic benefits.

The value of certain investments is also affected by the existence of limited secondary markets.

To manage interest rate and market risks, the assets of the Fund are invested to ensure a prudent level of diversification by type of security, geographic location and by industry.

(b) Credit risk

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Fund.

The Fund limits credit risk by dealing with counterparties that are considered to be of high quality, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines.

(c) Foreign currency risk

Foreign currency exposure results where investments are denominated in a foreign currency.

The Fund, through its investment managers, may employ hedging strategies to mitigate the foreign currency risk in the portfolio. At December 31, 2003, the Fund held $56,865,600 (2002 - $38,499,000) in forward contracts with an unrealized gain of $2,247,200 (2002 - $62,600 unrealized loss).

9. MONEY PURCHASE ACCOUNTS

Separate money purchase accounts have been established for persons transferring amounts to the Fund in accordance with the Act. These accounts are maintained separately from the Fund's other activities. Prior to April 2002, individual accounts earned investment income based on short-term lending rates, less an administration fee of 1%. In 2003, the income crediting provision was changed retroactive to April 2002, although 2002 figures were not restated. The annual market value rate of return of the Fund, which includes a provision for investment management expenses, is credited annually to the accounts. The administration fee is no longer charged. On the written direction of the individual, the accumulated amount of the individual's account is transferred out to a Locked In Retirement Account or into the Fund's Account A for initiation of a lifetime annuity.

($ Thousands)		2002
Balance at beginning of year	$ 446	$ 433
Change in income crediting provision	88	–
Adjusted balance, beginning of year	534	433
Investment income	67	27
Transfers out	(17)	(13)
Administration fee	–	(1)
Balance at end of year	$ 584	$ 446

10. EMPLOYER TRUST ACCOUNTS

The Fund maintains separate trust accounts for the employer obligation for pension benefits in respect of MAST and MTS employees who are members of the Fund. The trust accounts receive the employer contributions and investment income and are charged with the employer share of pensions paid.

(a) Manitoba Teachers' Society Trust Account

($ Thousands)		2002
Balance at beginning of year	$ 4,359	$ 4,679
Investment income	547	(104)
Pension payments	(225)	(216)
Balance at end of year	$ 4,681	$ 4,359

(b) Manitoba Association of School Trustees Trust Account

($ Thousands)		2002
Balance at beginning of year	$ 231	$ 264
Contributions	19	9
Investment income	29	(6)
Pension payments	(32)	(36)
Balance at end of year	$ 247	$ 231

The Unfunded Pension Liability Fund monies are held in trust for and on behalf of the Province. These monies are not Plan assets and are accounted for separately by the Fund in the Unfunded Pension Liability Fund Trust Account. Under authority of sub-section 41(16) of The Teachers' Pensions Act, the Board entered into an agreement to invest these monies on behalf of the Province. According to the terms of the agreement, these monies earn the rate of return of the Fund. The Fund is paid a fee for its investment management services. Fees are deducted from investment management expenses *(Note 17)*.

($ Thousands)		2002
Balance at beginning of year	$ 81,434	$ 13,421
Deposits	40,883	69,422
Investment income	12,527	(1,312)
Management fee	(117)	(97)
Balance at end of year	$ 134,727	$ 81,434

($ Thousands)		2002
Balance at beginning of year	$ 1,964	$ 1,812
Benefits accrued	97	95
Interest accrued on benefits	142	131
Benefits paid	(72)	(74)
Balance at end of year	$ 2,131	$ 1,964

The valuation of the pension obligations as at December 31, 2001 was conducted by Ellement and Ellement Ltd., consulting actuaries. The key actuarial assumptions were a rate of return of 6.75% (1998 - 7%), 2.75% inflation (1998 - 3%), salary rate increases of 4.5% (1998 - 4.5%) and post-retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to December 31, 2003 using a formula provided by the actuary.

($ Thousands)	2003	2002
Teachers	$ 50,873	$ 52,568
Transfers from Account B		
Share of benefits charged	101,076	88,154
Other statutory charges	1,654	1,659
Transfers under reciprocal agreements	1,909	793
	$ 155,512	$ 143,174

5. ACTUARIAL VALUATIONS

The Teachers' Pensions Act, sub-section 45(4), requires an actuarial valuation of the Fund at least every three years. The most recent actuarial valuation of Account A (excluding the Pension Adjustment Account) and Account B was completed as at January 1, 2001 by Aon Consulting Inc., consulting actuaries. The previous actuarial valuations of Accounts A and B occurred at January 1, 1998. The unit credit actuarial cost method was used for each valuation.

The assumptions used in determining the actuarial value of benefits accrued for service to date for Account A and Account B were developed by reference to expected long-term market conditions. The significant long-term actuarial assumptions used in the valuations were:

	January 1, 2001	January 1, 1998	
		1998 to 2000	after 2000
Annual rate of return			
(a) Inflation component	3.00%	2.00%	3.25%
(b) Real rate of return	4.00%	5.00%	3.75%
	7.00%	7.00%	7.00%
Annual salary escalation rates			
(a) General increases:			
(i) inflation component	3.00%	2.00%	3.25%
	2001 to 2010 after 2010	1998 to 2010	after 2010
(ii) real salary gain component	0.50% 0.75%	0.00%	0.75%

(b) The rates used for service, merit and promotional increases are related to years of service and range from 0.50% to 5.75%. In the 1998 valuation, these increases were assumed to be linked to the age of active teachers and ranged from a low of 0.25% to a high of 4.95%.

The actuarial valuation of the Fund (excluding the Pension Adjustment Account) as at January 1, 2001 disclosed a surplus of $102,927,400. As the Account B assets and liabilities are equal, the Fund surplus is comparable to the Account A surplus which was $43,869,000 as at January 1, 1998. The next valuation of the Fund will occur as at January 1, 2004.

The actuarial present value of the Province's accrued pension benefits liability (Account B), including previously granted cost of living adjustments, was calculated at $1,631,073,300 for service to January 1, 2001 (1998 - $1,352,197,400).

11 ACTUARIAL VALUATIONS

The Pension Adjustment Account is actuarially valued each year to determine the amount available to fund one-half of any cost of living increase. The December 31, 2002 actuarial report, prepared by Aon Consulting Inc., disclosed a surplus of $16,134,161 (2001 - $9,993,375 surplus). Effective July 1, 2003, the Board approved the payment of a 1.68% pension adjustment.

12 ACCRUED PENSION BENEFITS

(a) Basic benefits

The present value of accrued pension benefits, for Accounts A and B (excluding pension adjustments which are shown in (b) below), for service to January 1, 2001, was determined from the actuarial valuation referred to in Note 11. The present value of accrued pension benefits has been extrapolated from January 1, 2001 to December 31, 2003, using a formula developed by the actuary.

($ Millions)	Account A	Account B	2003 Total	2002 Total
Estimated actuarial present value of accrued pension benefits for service to beginning of year	$ 1,760	$ 1,712	**$ 3,472**	$ 3,284
Interest accrued on benefits	122	119	**241**	229
Benefits accrued	59	56	**115**	113
Benefits paid	(90)	(89)	**(179)**	(154)
Net increase in accrued pension benefits	91	86	**177**	188
Estimated actuarial present value of accrued pension benefits for service to end of year	$ 1,851	$ 1,798	**$ 3,649**	$ 3,472

The estimated actuarial present value of accrued pension benefits in Account A is the Fund's obligation, while Account B represents the Province's obligation. The Account B liability for basic benefits is unfunded.

(b) Pension adjustments (cost of living)

The present value of accrued pension adjustments has been extrapolated to December 31, 2003, using a formula developed by the actuary.

($ Millions)	Pension Adjustment Account	Account B Cost of Living	2003 Total	2002 Total
Estimated actuarial present value of accrued pension adjustments at beginning of year, as previously reported	$ 114	$ 106	**$ 220**	$ 219
Change in assumptions	–	–	**–**	1
Beginning of year, as restated	114	106	**220**	220
Interest accrued	8	7	**15**	14
Pension adjustments accrued	16	16	**32**	12
Pension adjustments paid	(13)	(13)	**(26)**	(26)
Net increase in accrued pension adjustments	11	10	**21**	–
Estimated actuarial present value of accrued pension adjustments at end of year	$ 125	$ 116	**$ 241**	$ 220

12. ACCRUED PENSION BENEFITS

The actuarial assumption used in the 2002 report for the rate of interest expected to be earned on the pension adjustment account was 6.00% (2001 - 6.00%). The rate of interest used to determine the liability for the cost of living benefits of Account B was 7.00%. The Account B liability for cost of living benefits is unfunded.

13. INVESTMENT INCOME

($ Thousands)	2003	2002
Fixed Income		
Bonds and debentures	$ 39,053	$ 42,206
Mortgages	9,633	7,616
Money market securities	1,251	1,062
Equities		
Canadian	11,833	9,420
Non-North American	4,449	4,177
United States	4,675	3,746
Other	648	2,331
Real estate	10,299	11,800
Gross investment income	81,841	82,358
Less: Transfer to money purchase accounts, *Note 6*	(155)	(27)
Transfer for employer trust accounts, *Note 7*	(576)	110
Transfer for Province of Manitoba – Unfunded Pension Liability Fund Trust Account, *Note 8*	(12,527)	1,312
Transfer for Fund's share of employees' pension benefits, *Note 9*	(142)	(131)
Net investment management fees, *Note 17*	(3,163)	(2,932)
Net investment income	$ 65,278	$ 80,690

14. CURRENT PERIOD CHANGE IN FAIR VALUE OF INVESTMENTS

($ Thousands)	2003	2002
Net realized loss on the sale of investments	$ (27,296)	$ (72,711)
Net unrealized market gain (loss)	190,574	(52,056)
Current period change in fair value of investments	$ 163,278	$ (124,767)

(a) Investments with the Province of Manitoba

($ Thousands)	Bonds	Short-Term		2002 Total
Balance at beginning of year	$ 11,824	$ –	$ 11,824	$ 9,009
Purchases	2,882	117,003	119,885	165,080
Sales	(3,539)	(117,003)	(120,542)	(162,652)
Current period change in fair value	89	–	89	387
Balance at end of year	$ 11,256	$ –	$ 11,256	$ 11,824
Interest income	$ 665	$ 211	$ 876	$ 720

(b) Investment management services

The Fund owns 10.5% of Greystone Capital Management Inc., whose subsidiary Greystone Managed Investments Inc. provides investment management services to the Fund on a fee for service basis. Investment management fee expense for the year was $2,805,141 (2002 - $2,459,296).

As at December 31, 2003, the Fund had outstanding investment commitments totalling $164.3 million (2002 - $38.0 million). This includes capital commitments for certain private investments which will be called over the next three to five years.

($ Thousands)		2002
Salaries and benefits	$ 2,084	$ 1,947
Office and administration	456	442
Actuarial fees	48	75
Custodial and banking	200	189
Communication and travel	119	109
Professional fees	52	50
Board expenses	70	61
Sub-total	3,029	2,873
Net investment management fees, *Note 13*	3,163	2,932
Total	$ 6,192	$ 5,805

Comparative figures have been reclassified, where necessary, to conform to the 2003 presentation.

SCHEDULE OF INVESTMENTS

BONDS AND DEBENTURES

	Interest Rate (%)	Maturity Date	Fair Value ($ Thousands)
FEDERAL			
Canada	3.000	01-Dec-2005	$ 11,016
Canada	5.750	01-Sep-2006	16,672
Canada	4.250	01-Sep-2008	75,702
Canada	5.250	01-Jun-2013	84,637
Canada	5.750	01-Jun-2033	85,148
Canada Housing Trust No. 1	4.100	15-Dec-2008	42,068
			$ 315,243
PROVINCIAL			
55 School Board Trust	5.900	02-Jun-2033	$ 3,030
Alberta Capital Finance Authority	5.000	02-Dec-2013	5,544
British Columbia	6.375	23-Aug-2010	5,142
British Columbia	5.750	09-Jan-2012	5,635
British Columbia	5.700	18-Jun-2029	4,358
British Columbia	6.350	18-Jun-2031	5,942
Manitoba	10.000	15-May-2011	2,893
Manitoba	5.250	03-Dec-2012	4,445
Manitoba	5.500	15-Nov-2018	3,918
New Brunswick	8.750	19-Apr-2005	1,543
New Brunswick	6.000	27-Dec-2017	3,899
Newfoundland	6.550	17-Oct-2030	4,489
Nova Scotia	5.500	15-Mar-2006	4,125
Nova Scotia	6.400	01-Sep-2010	2,647
Ontario	6.100	19-Nov-2010	4,377
Ontario	6.100	02-Dec-2011	10,644
Ontario	7.600	02-Jun-2027	3,304
Ontario	6.500	08-Mar-2029	5,889
Ontario	6.200	02-Jun-2031	7,440
Quebec	5.500	01-Jun-2009	12,081
Quebec	6.250	01-Dec-2010	3,011
Quebec	6.000	01-Oct-2012	2,952
Quebec	6.250	01-Jun-2032	4,479
Quebec Finance Corporation	6.250	01-Dec-2015	4,396
Saskatchewan	5.500	02-Jun-2008	5,456
Saskatchewan	5.250	03-Dec-2012	2,686
Saskatchewan	5.750	05-Mar-2029	2,388
Saskatchewan	6.400	05-Sep-2031	5,647
Saskatchewan Wheat Pool	8.000	29-Nov-2008	2,000
			$ 134,360
CORPORATE			
407 International Inc.	9.000	15-Aug-2007	$ 5,879
Aeroports de Montreal	6.611	11-Oct-2033	2,240
Alliance Pipeline	7.181	30-Jun-2023	3,996
BCE Inc.	6.750	30-Oct-2007	2,151
Borealis Infrastructure Trust	6.270	03-May-2011	4,523
Canadian Tire Corp. Ltd.	5.700	09-Jun-2008	3,112
Citigroup Finance Canada Inc.	5.750	17-Aug-2006	2,287
Citigroup Finance Canada Inc.	4.300	05-Aug-2008	1,552
Column Canada Issuer Corp.	5.943	12-Feb-2012	2,164
Falcon Trust	5.151	15-Jan-2011	2,016
GE Capital Canada Funding Co.	5.300	24-Jul-2007	2,833
Genesis Trust	6.869	15-Feb-2005	3,658
Glacier Credit Card Trust	4.444	20-Nov-2008	3,242
Gloucester Credit Card Trust	5.590	15-Jun-2007	4,453
Gloucester Credit Card Trust	4.716	15-May-2008	3,005
Golden Credit Card Trust	4.159	15-Oct-2008	3,313
Greater Toronto Airports Authority	5.950	03-Dec-2007	2,537
Hollis-Receivables Term Trust	5.672	26-Apr-2006	3,689
Hydro One Inc.	4.000	23-Jun-2008	2,928
Hydro One Inc.	5.770	15-Nov-2012	2,173
Investors Group Inc.	6.750	09-May-2011	4,188
Loblaw Companies Ltd.	5.400	20-Nov-2013	1,819
Loblaw Companies Ltd.	6.050	09-Jun-2034	2,636
Merrill Lynch Canada Finance Co.	4.700	12-Sep-2008	2,825
Merrill Lynch Financial Assets	6.790	15-Apr-2011	3,062
Merrill Lynch Financial Assets	5.245	12-Jun-2013	3,378
Merrill Lynch Mortgage Loans	6.750	15-Nov-2032	2,917
N-45 Degrees First CMBS	5.667	15-Nov-2013	1,683
Ontrea Inc.	5.570	09-Apr-2013	9,098
RBC Capital Trust	5.812	31-Dec-2013	4,106
Royal Bank of Canada	5.450	04-Nov-2018	4,571

	Interest Rate (%)	Maturity Date	Fair Value ($ Thousands)
Scotiabank Capital Trust	6.626	30-Jun-2012	$ 4,175
Sun Life Assurance Co. of Canada	6.150	30-Jun-2022	4,123
Swift Trust	7.400	07-Dec-2008	4,569
Toronto-Dominion Bank	4.540	05-Sep-2013	2,716
Toronto-Dominion Bank	5.690	03-Jun-2018	3,495
Transcanada Pipelines Ltd.	5.650	15-Jan-2014	2,862
Wells Fargo Financial Canada Corp.	5.500	15-Jun-2007	2,170
York Receivables Trust III	4.272	21-Jul-2008	3,251
			$ 129,395
Avenor Inc.	10.850	30-Nov-2014	$ 2,056
Baytex Energy Ltd.	9.625	15-Jul-2010	1,402
Bell Canada International Ltd.	11.000	29-Sep-2004	1,535
Bombardier Recreational	8.375	15-Dec-2013	1,215
Call-Net Enterprises Inc.	10.625	31-Dec-2008	2,744
Calpine Canada Energy Financial	8.500	01-May-2008	1,288
Cogeco Cable Inc.	8.440	31-Jul-2007	1,329
Corus Entertainment Inc.	8.750	01-Mar-2012	1,421
Dryden High Yield	–	09-Nov-2013	3,877
Dryden V Leveraged Loan	–	22-Dec-2015	1,292
Fairfax Financial Holdings Ltd.	8.250	01-Oct-2015	1,282
Falconbridge Limited	8.500	08-Dec-2008	1,134
Fort Chicago Energy Partners	6.750	31-Dec-2010	1,325
Franklin II Ltd.	–	28-Aug-2013	4,911
Harbourview IV Limited	–	25-Oct-2013	2,258
Hurricane Finance	9.625	12-Feb-2010	1,095
Intrawest Corp.	10.500	01-Feb-2010	2,142
Marsulex Inc.	9.625	01-Jul-2008	1,792
Methanex Corp.	8.750	15-Aug-2012	1,196
Millar Western	7.750	15-Nov-2013	1,006
Nova Chemicals Corp.	7.850	30-Aug-2010	1,035
Paramount Resources Ltd.	7.875	01-Nov-2010	1,929
Rogers Cablesystems Ltd.	9.650	15-Jan-2014	2,113
Rogers Cantel Inc.	10.500	01-Jun-2006	1,329
Scott Paper Ltd.	10.000	06-Jun-2007	$ 1,855
Shaw Communications Inc.	7.500	20-Nov-2013	1,523
Sherritt International Corp.	9.875	31-Mar-2010	1,080
St. Joseph Printing Limited	11.500	21-Dec-2004	1,811
TCW II Ltd.	–	02-Dec-2013	2,908
Telus Corp.	7.500	01-Jun-2006	1,290
Videon Cablesystems Inc.	8.150	26-Apr-2010	1,095
			$ 54,268
Frontier Capital Partners Limited Partnership			$ 1,648
			$ 1,648
Investments under $1 Million			7,684
Total Bonds and Debentures			**$ 642,598**

	Location	Fair Value ($ Thousands)
Insured	Manitoba	$ 2,277
	Saskatchewan	60
		2,337
Conventional	Alberta	56,247
	British Columbia	14,451
	Manitoba	24,296
	Ontario	54,327
		149,321
Total Mortgages		**$ 151,658**

	Fair Value ($ Thousands)
Federal and Provincial Governments	$ 1,021
Banks and Trust Companies	1,850
Total Money Market Securities	**$ 2,871**

CANADIAN EQUITIES

	Fair Value ($ Thousands)
Bank of Montreal	$ 34,596
Bank of Nova Scotia	52,087
Barrick Gold Corp.	22,244
Cameco Corp.	25,104
Canadian Imperial Bank of Commerce	2,211
Canadian National Railway Co.	22,061
Canadian Natural Resources Ltd.	28,167
CGI Group Inc.	8,204
Cott Corp.	9,112
Decoma International Inc.	2,750
Domtar Inc.	7,197
Dorel Industries Inc.	2,805
Encana Corp.	27,342
Falconbridge Ltd.	1,782
Finning International Inc.	18,214
Forzani Group Ltd.	3,950
Loblaw Companies Ltd.	15,158
Macdonald Dettwiler & Associates Ltd.	3,446
Magna International Inc.	26,341
Manulife Financial Corp.	29,244
Masonite International Corp.	18,937
Meridian Gold Inc.	8,329
Molson Inc.	14,357
National Bank of Canada	14,473
Open Text Corp.	7,902
Patheon Inc.	4,957
Penn West Petroleum Ltd.	17,050
Petro-Canada	33,229
Potash Corp. of Saskatchewan	15,337
Power Corp. of Canada	35,397
Power Financial Corp.	20,552
Rona Inc.	2,397
Royal Bank of Canada	45,252
Saputo Inc.	7,030
Shoppers Drug Mart Corp.	13,056
SNC-Lavalin Group Inc.	19,771
Stratos Global Corp.	4,270
Talisman Energy Inc.	18,554
Transcanada Corp.	28,760
WestJet Airlines Ltd.	8,410
	680,035
Investments under $1 million	228
Total Canadian Equities	**$ 680,263**

NON-NORTH AMERICAN EQUITIES

	Fair Value ($ Thousands)
Greystone Non-North American Pooled Fund	$ 103,835
Templeton Segregated Fund	103,117
	206,952
Investments under $1 million	14
Total Non-North American Equities	**$ 206,966**

U.S. EQUITIES

	Fair Value ($ Thousands)
Greystone U.S. Mid Cap Growth Equity Pooled Fund	$ 72,148
Greystone Large Cap Growth Fund	73,610
Mellon CF Large Cap Value Stock Index Fund	75,236
Total U.S. Equities	**$ 220,994**

OTHER EQUITIES

	Fair Value ($ Thousands)
Adams Street Partnership Fund – 2003 U.S. Fund, L.P.	$ 1,079
Greystone Capital Management Inc.	4,758
MDS Capital Corp.	5,252
MDS Health Ventures (PC) Inc.	1,628
Neuroscience Partners Limited Partnership	1,422
Paul Capital Top Tier Investments II, L.P.	4,747
TD Capital Private Equity Investors (Canada) L.P.	9,424
Torquest Partners Value Fund, L.P.	4,316
	32,623
Investments under $1 million	4,375
Total Other Equities	**$ 36,998**

REAL ESTATE

	Fair Value ($ Thousands)
3100 Production Way Equities Inc.	$ 5,242
Airways Equities Inc.	7,110
Aset Properties Inc.	16,100
Big Bend Equities Inc.	1,212
Bridgeport Road Equities Inc.	2,502
Clarica Reality Fund	7,548
Commerce Valley Equities Inc.	3,261
Cordova Equities Inc.	5,462
Eskimo Equities Inc.	2,046
Explorer Drive Equities Inc.	1,476
ICORP Properties Ltd.	8,124
KS Equities Inc.	3,006
Lougheed Equities Inc.	7,716
Pensionfund Realty Limited	80,378
Prairie Bramalea Equities Ltd.	12,288
Rutherford Properties Limited	2,268
Saskpen Properties Ltd.	1,393
Seven Oaks Equities Inc.	3,136
Skyview Equities Inc.	3,827
Summerlea Clark Road Inc.	10,450
University Equities Inc.	3,645
Victoria Gate Equities Inc.	1,784
Westside Equities Inc.	1,275
	191,249
Investments under $1 million	2,225
Total Real Estate	**$ 193,474**

Alfred Black, *Chair*
Pat Isaak, *Vice Chair*
Glen Anderson
Bruce Chegus
Lea Baturin
Ramona Gallos
Henry Shyka

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Michael Werier, D'Arcy & Deacon

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Glen Anderson, *Teacher Observer*

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Brenda Venuto,
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Les Brown
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